



09/252

*Mr. K... 7/17/68*

COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

SEP 2 1977

The Honorable Lawton Chiles  
United States Senate

Dear Lawton:

We have developed a revised section 509 of S. 1264 which we recommend be adopted in place of the section contained in the current bill.

The revised section will permit waivers of a number of Government surveillance requirements with respect to contractors' profit centers which have more than 75 percent of their sales under commercial and/or competitive Government firm fixed-price contracts. Price must be a deciding factor in the award for Government sales to be considered as competitive and waivers will not be permitted if other types of Government sales are over \$10,000,000. The other sales would be made up of various types of contracts whose prices were based on estimated or actual costs.

The revised section 509 we suggest is as follows.

"GOVERNMENT SURVEILLANCE REQUIREMENTS

"Section 509. (a) Notwithstanding any other provisions of law, an agency head may, in his discretion, waive the requirements listed in 509(c) below for that part of a contractor's operation which is separately managed and accounted for if, for the contractor's most recent fiscal year, more than 75 percent of the business of the activity as measured by total costs incurred is conducted under commercial and/or competitive Government contracts. To be considered competitive, the Government contracts must be firm fixed-price with price the deciding factor in the award.

"(b) The waiver provided in 509(a) shall not be granted if the contractor's activity involved had costs incurred of over \$10,000,000, for the contractor's most recent fiscal year, under other Government contracts where the contract prices were based on estimated or actual costs. This category would include such contracts as cost reimbursement contracts, firm fixed-price contracts negotiated without price competition, fixed-price incentive contracts, and time and material contracts.

72/247

"(c) The waiver provided for in 509(a) shall apply during the period of eligibility for such time as determined by the agency head to any or all of the following:

1. agency management and procurement system reviews;
2. determinations of reasonableness of indirect overhead costs;  
and
3. advance agreements for independent research and development  
and bid and proposal activities.

"The waiver period should not exceed 2 years without reconsideration by the agency and can be voided at any time by the agency involved.

"(d) The waiver provided for in 509(a) shall not affect the General Accounting Office access-to-records authority as set forth in section 306 of this act."

We hope this suggested revision is acceptable to you and we will be glad to discuss any questions that you may have.

Sincerely yours,

  
Comptroller General  
of the United States

bc: Mr. Gutmann, PSAD - 3  
Mr. Flynn, PSAD/GP - 3  
Mr. Weinfeld, PSAD/GP - 1